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SUBJECT: KAZAKHSTAN: U.S. DEPUTY SECRETARY OF ENERGY DISCUSSES
NUCLEAR FUEL, OIL, AND, JET-SKI RACING WITH GOVERNOR OF MANGYSTAU

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REFTEL: ASTANA 1886

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On October 6, U.S. Deputy Secretary of Energy Daniel Poneman met Mangystau Oblast Akim (governor) Krymbek Kusherbayev to discuss U.S.-Kazakhstani energy and non-proliferation projects in western Kazakhstan. Poneman thanked Kusherbayev for his support and said the United States attaches great importance to securing the 300 metric tons of weapons-grade spent-fuel from the BN-350 reactor. The Akim reaffirmed his commitment to non-proliferation cooperation and described his priorities in Mangystau Oblast. Kusherbayev also related an anecdote from the recent Caspian Sea Summit, regaling Poneman with a description of the presidents on jet skis. Even though oil pipelines under the Caspian are technologically feasible, Kusherbayev said their benefits must be balanced with the risk of environmental damage to the Caspian. The Akim, a former Ambassador to Moscow, was amiable and relaxed throughout the conversation. END SUMMARY.

AKIM AGREES COOPERATION ON BN-350 IS A BILATERAL SUCCESS

13. (SBU) Poneman told the Akim his tour of the BN-350 reactor (reftel) impressed on him the region's scientific accomplishments, strong partnership with the United States, and potential for future energy development. Poneman reiterated that Presidents Obama and Nazarbayev have consistently said that countering the proliferation of weapons of mass destruction is a key priority for their governments and a cornerstone of bilateral cooperation. The Akim and Poneman agreed that the decade-long project, one of the last steps in decommissioning the BN-350 reactor, is a major non-proliferation milestone. They also reaffirmed their mutual support for non-proliferation and the BN-350 project.

THE GOVERNOR TOUTS MANGYSTAU'S COMPETITIVE ADVANTAGES

14. (SBU) Kusherbayev told Poneman that Mangystau is one of Kazakhstan's wealthiest provinces, with a national per capita GDP of \$25,000. (NOTE: According to the Minister of Energy and Mineral Resources in his address to the Kazakhstan International Oil and Gas

Exposition (KIOGE) Conference on October 7, the national per capita GDP is \$8,000. END NOTE.) According to Kusherbayev, Mangystau Oblast possesses the potential to develop competitive advantages in natural resources, transportation, and tourism.

FROM HYDROCARBONS TO URANIUM

15. (SBU) In relation to natural resources, the Akim -- a former academic -- told Poneman proudly that Mangystau possesses all the elements of the periodic table. Kusherbayev said Mangystau, which recently opened for development one of its oil and gas fields, will increase its exports from approximately 29 to 90 million tons of oil over the next few years. Kusherbayev emphasized that Conoco Phillips, Kazakhstan's national oil company, and the United Arab Emirates's Magdala oil company play active roles in Mangystau's economy. Due to its location in deep-water portions of the Caspian, Kusherbayev expects Mangystau to become an oil-transport hub -- similar to Qatar -- and a service center for building and servicing off-shore oil platforms, including fields located within the territory of its neighbor and competitor, Atyrau Oblast. Kusherbayev also predicted oil shipping volumes in the Caspian Sea region will increase to 150 million tons per year.

THE NEW SILK ROAD

16. (SBU) Kusherbayev, whose staff lobbied intensively for Poneman to meet the Akim in his office rather than at the airport or the BN-350 reactor, described the region's plans to develop road, sea, and rail infrastructure. "In the past, the Silk Road passed through Mangystau, and provided a lot of revenue for our ancestors," Kusherbayev told Poneman. The Akim said the region is building a railroad to link Aktau to Turkmenistan, from which point rail lines already exist to carry goods to Iran and the Persian Gulf.

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According to Kusherbayev, the potential revenue from transportation of Chinese goods passing through Mangystau en-route to Western Europe and the Persian Gulf could equal its earnings from oil and gas.

PRESIDENTS ON JET SKIS

17. (SBU) Kusherbayev said Mangystau Oblast is working on a project with Arab investors, mostly Kuwaitis, to develop a first-class tourist resort area called Kenderlik, located south of Aktau along the Caspian seacoast. Kusherbayev said the resort will have 5-star hotels, golf courses, and possibly even casinos. "We would like to make Kenderlik the Las Vegas for countries of the Middle East," Kusherbayev told Poneman. To emphasize Mangystau's tourism potential, Kusherbayev recounted that in mid-September the presidents of Kazakhstan, the Russian Federation, Azerbaijan, and Turkmenistan had gathered for an informal Caspian Sea Summit in Aktau. "I personally created a six-kilometer-long jet-ski race for the four Presidents along the Caspian Sea near Kenderlik," Kusherbayev told Poneman, smiling. Kusherbayev added, "The presidential security forces were so nervous, but the presidents had a wonderful time!" Kusherbayev said that President Nazarbayev craftily allowed Medvedev to win just at the end of the race. "Our President is very intelligent," Kusherbayev laughed.

EARTH, SEA, AND SKY

18. (SBU) Kusherbayev said Mangystau is working on a program called "earth, sea, and sky" that will coordinate its development of natural resources, transportation, and tourism. "Earth relates to hydrocarbon resources, sea relates to our development of our marine transportation and tourism resources, but by sky, we mean God, without whose help nothing would be possible," Kusherbayev explained. The Akim said Aktau city, as the center of the plan, is also growing rapidly, with an entirely new Aktau city under construction in cooperation with the United Arab Emirates. Because the demand for electricity more than doubled in the last two years, the government will build a new nuclear power plant on the BN-350 reactor site. In response to a question about how he plans to maintain rational growth within the expansion of an oil-driven economy, Kusherbayev explained that the program's architects from

the United Arab Emirates are actually top-notch architects from Boston, and they plan to take lessons-learned from Abu Dhabi into account. Kuserbayev said his region is also interested in developing its shipbuilding industry, especially in relation to larger, oil-carrying vessels.

THE AMERICAN WAY?

¶9. (SBU) Pipelines under the Caspian for oil transport are feasible in theory, Kuserbayev told Poneman, but he cautioned, "I will not risk the unique marine environment of the Caspian, with its caviar and sturgeon resources. If we cannot find a safe ecological way to construct pipelines, we should follow the American way -- close and preserve the resource area." Kuserbayev told Poneman that during his recent visit to Baku as a member of President Nazarbayev's delegation, the "oily and disgusting" state of the Caspian coast distressed him. "I do not want that future for my region and country. Oil and gas are the main assets of our economy, but they should not lower the standard of living of our people," the Akim told Poneman.

AN AUTOGRAPHED GIFT

¶10. (SBU) Kuserbayev closed the meeting by urging Poneman to visit Kenderlik on his next trip to Kazakhstan. "If you don't like jet skis, we can take you scuba-diving," he offered. The urbane, sophisticated Akim then presented copies of a beautifully-illustrated several hundred page academic work on Mangystau. The Akim happily autographed for his visitors the work, which he had co-authored during his academic career. "I came here, and fell in love with this beautiful area, which is why I am so happy to be able to work here," Kuserbayev explained.

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¶11. (U) Deputy Secretary Poneman has cleared on this cable.

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